date of original maturity shall not be less than the denomination (face amount or face value).

### § 351.27 What are the interest rates and redemption values for bonds with issue dates from May 1, 1995, through April 1, 1997, during an extended maturity period?

During an extended maturity period the bond will be subject to the terms and conditions in effect when it is issued, and will continue to earn interest as described in paragraph § 351.26, unless the terms and conditions applicable to an extended maturity period are expressly amended prior to the beginning of such period.

### § 351.28 How are redemption values calculated for bonds with issue dates from May 1, 1995, through April 1, 1997?

We determine the redemption value of a bond on the accrual date immediately following each semiannual earning period as follows:

(a) We convert the applicable long-term or short-term savings bond rate for the semiannual earning period to decimal form by dividing by 100, and adjust it to a semiannual rate by dividing by 2.

(b) Using redemption values for the base denomination, as defined in § 351.16, we then multiply this rate by the redemption value of the bond at the beginning of the semiannual earning period.

(c) We add the resulting interest amount, rounded to the nearest cent, to the redemption value of the bond at the beginning of the earning period to produce the redemption value at the next semiannual accrual date. The redemption value of a bond remains constant between accrual dates.

SERIES EE SAVINGS BONDS WITH ISSUE DATES OF MAY 1, 1997, THROUGH APRIL 1, 2005

### § 351.29 What are the maturity periods of bonds with issue dates of May 1, 1997, through April 1, 2005?

(a) *Original maturity*—(1) *Bonds with issue dates from May 1, 1997, to May 1, 2003.* Bonds reach original maturity at 17 years after issue date.

(2) *Bonds with issue dates of June 1, 2003, through April 1, 2005.* Bonds reach original maturity at 20 years after issue date.

(b) *Final maturity.* Bonds reach final maturity at 30 years after the issue date. Bonds cease to earn interest at final maturity.

[68 FR 24796, May 8, 2003, as amended at 70 FR 17288, Apr. 5, 2005]

### § 351.30 What are interest rates and monthly accruals for Series EE bonds with issue dates of May 1, 1997, through April 1, 2005, during the original maturity period?

Savings bond rates (defined in § 351.13) apply to earnings during the first semiannual rate period beginning on or after the effective date of the rate. Interest is credited on the first day of each month and compounded semiannually. Interest accrues beginning with the fourth month from the issue date. For example, a bond issued in January has interest first credited on May 1, which represents one month of interest because of the 3-month interest penalty. The following table shows, for any given month of issue with rates announced each May and November, the months making up the semiannual rate period during which interest is earned at the announced rate (disregarding the penalty for bonds redeemed prior to 5 years after the issue date) and the months in which the bonds increase in value. This rate is an annual rate compounded semiannually.

| If issue month is— | And rate announcement/effective date is— | Then, semiannual rate periods in which interest is earned include months of— | And bonds increase in value on 1st day of months of— |
|---|---|---|---|
| Jan. or Jul .......................................... | May 1 ...................... | Jul. through Dec ............................ | Aug. through Jan. |
| Feb. or Aug ...................................... | May 1 ...................... | Aug. through Jan ............................ | Sep. through Feb. |
| Mar. or Sep ...................................... | May 1 ...................... | Sep. through Feb ........................... | Oct. through Mar. |
| Apr. or Oct ........................................ | May 1 ...................... | Oct. through Mar ............................ | Nov. through Apr. |
| May or Nov ....................................... | May 1 ...................... | May through Oct ............................ | Jun. through Nov. |

| If issue month is— | And rate announce-ment/effective date is— | Then, semiannual rate periods in which interest is earned include months of— | And bonds increase in value on 1st day of months of— |
| --- | --- | --- | --- |
| Jun. or Dec ..................................... | May 1 ..................... | Jun. through Nov ........................... | Jul. through Dec. |
| Jan. or Jul ...................................... | Nov. 1 .................... | Jan. through Jun ........................... | Feb. through Jul. |
| Feb. or Aug .................................... | Nov. 1 .................... | Feb. through Jul ............................ | Mar. through Aug. |
| Mar. or Sep ................................... | Nov. 1 .................... | Mar. through Aug .......................... | Apr. through Sep. |
| Apr. or Oct ..................................... | Nov. 1 .................... | Apr. through Sep .......................... | May through Oct. |
| May or Nov ..................................... | Nov. 1 .................... | Nov. through Apr .......................... | Dec. through May. |
| Jun. or Dec ..................................... | Nov. 1 .................... | Dec. through May ......................... | Jan. through Jun. |

## § 351.31 What is the interest penalty for Series EE bonds with issue dates of May 1, 1997, through April 1, 2005, that are redeemed less than 5 years after the issue date?

If you redeem a Series EE savings bond with an issue date of May 1, 1997, through April 1, 2005, less than five years following the issue date, we reduce the overall earning period from the issue date by three months. For example, if you redeem a bond issued January 1, 1998, 9 months later on October 1, 1998, we will determine the redemption value by applying the redemption value calculation formula described in § 351.32 and the savings bonds rate for that bond at 6 months after the issue date on July 1, 1998. The redemption value of a bond subject to the 3-month interest penalty shall not be reduced below the issue price. This penalty does not apply to bonds redeemed 5 years or more after the issue date.

[68 FR 24796, May 8, 2003, as amended at 70 FR 17288, Apr. 5, 2005]

## § 351.32 How are redemption values calculated for Series EE bonds with issue dates of May 1, 1997, through April 1, 2005?

(a) *Formula for redemption value.* We determine the redemption value of a bond for the accrual date (the first day of each month beginning with the fourth month from the issue date) in accordance with this section and the following formula:

$$FV = PV \times \{[1+(i \div 2)]^{(m/6)}\}$$

where

FV (future value) = redemption value on redemption date rounded to the nearest cent.
PV (present value) = redemption value at the beginning of the semiannual rate period
i = savings bonds rate converted to decimal form by dividing by 100.

m = number of full calendar months outstanding during the semiannual rate period.[1]

(b) *Value of bonds at original maturity*—(1) *Definitive bond.* At original maturity, the redemption value of a definitive bond shall not be less than the face amount/denomination of the bond.

(2) *Book-entry bond.* At original maturity, the redemption value of a book-entry bond shall not be less than double the purchase price of the bond.

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[1] The following hypothetical example illustrates how this formula is applied:

Example, assume a hypothetical savings bonds rate of 5.00% effective May 1, 2002, for a bond denominated at $25, with an issue date of September 1, 1997 and a redemption value of $16.00 as of September 1, 2002. The February 1, 2003, redemption value is calculated as follows: Bonds issue dated in September have semiannual rate periods beginning each March 1 and September 1. The first semiannual rate period to begin on or after the effective date of the May 1, 2002, rate would be the period beginning September 1, 2002. PV, the present value, would be the value of the bond at the beginning of the semiannual rate period, on September 1, 2002. The savings bonds rate of 5.00% converted to a decimal would be 0.05. The number of months, m, is 5 since 5 full calendar months (September through January) have lapsed since the beginning of the rate period. FV is then the result of the formula:

$$FV = \$16.00 \times \{[1 + (0.05 \div 2)]^{(5/6)}\} = \$16.33$$
after rounding to the nearest cent.

Using the example, the FV of a savings bond with a $50 or larger denomination can be determined by applying the appropriate multiple, for example: $16.33 × ($50.00/$25.00) for a bond with a $50.00 face amount; or $16.33 × ($100.00/$25.00) for a bond with a $100.00 face amount.